

TND CAPITAL

TND Capital Management, LLC

December 1, 2010

Mr. Peter Coyle
Cultural and Business Initiatives Coordinator
Office of Economic and Workforce Development
City of Durham
101 City Hall Plaza
Durham, NC 27701

Dear Peter,

TND Capital Management, LLC hereby requests that you accept the attached updated statement of proposed Uses of Funds for our recently submitted Business Improvement Grant application.

These revisions are based on more up-to-date cost estimates from vendors and subcontractors as well as on several clarifications provided by your office.

Please do not hesitate to call me if you have further questions.

With best regards,

A handwritten signature in black ink that reads "Robert L. Chapman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert L. Chapman
Managing Member

RCC
12/1/10

**Building Improvement Grant
TND Capital Management, LLC
644 Foster Street - Uses of Funds, Updated 11/30/10**

	<u>Amount</u>
Built-in Display Furnishings and Shelving	
Countertops and bar	\$ -
Coolers	
Built-in beverage cooler	\$ -
Walk-in cooler, built-in	\$ 13,500
Electrical Systems	
Electrical panels, wiring, outlets	\$ 14,250
Lighting	\$ 2,930
Flooring	
Concrete Flooring	\$ 10,750
Grease Traps	
Grease interceptor	\$ 3,500
Heating and/or Air Conditioning	
HVAC	\$ 16,750
Installation of Sound Systems	
Installation of Support Mechanisms	
Kitchen Equipment	
Kitchen Equipment	\$ 39,122
Millwork	
Railing and cornice	\$ 3,250
Other Items	
Architectural	\$ 7,700
Construction	\$ 24,650
Dropped Ceiling	\$ 2,600
Fees/permits	\$ 2,550
Fence	\$ 2,500
Insulation	\$ 6,620
Masonry	\$ 3,750
Miscellaneous and Contingency	
Sheetrock	\$ 1,100
Roof Vents	\$ 800
Side roof	\$ 6,000
Signs	\$ 3,000
Painting	\$ 2,000
Plumbing	
Plumbing	\$ 24,000
Plumbing fixtures	\$ 2,000
Water heater	\$ 3,000
Point of Sale Equipment	
Security Systems	
Specialty Piping	
Beer tapper	\$ 8,000
Telephone Systems	
Venting Systems for Special Purpose Areas	
Exhaust hood, fan, venting, fire suppression	\$ 9,250
Window Replacement	
Windows and doors	\$ 14,600
	<u>\$ 228,172</u>



APPLICATION FOR BUILDING IMPROVEMENT GRANT

GRANT APPLICATION INCLUDING ATTACHMENTS MUST BE COMPLETED AND RETURNED TO:

The Office of Economic and Workforce Development (OEWD) located at

302 East Pettigrew Street, Suite 190, Durham, North Carolina 27701

Applications will be accepted by in-person or mail only and will not be accepted by fax or email

Note: Prior to applying for these funds, applicants must check with the City-County Planning Department to ensure the location for their proposed project is zoned appropriately.

SECTION 1:

PROJECT LOCATION	ATTACHMENTS
<p>Proposed projects must be within the Downtown Development Tier (including Parrish Street), within the Community Development Area (CDA) outside the Downtown Development Tier, including targeted corridors or within targeted areas in the Urban Growth Area (UGA).</p> <p><i>Note: To determine whether a project is within an eligible geographic location, use the mapping tool located on the Financial Services page of the OEWD website or, see "Durham Community Development Area, Targeted CDA Corridors, the Downtown Development Tier and the Parrish Street Project Area" Map and maps depicting targeted areas of UGA on the OEWD website under the Financial Services tab.</i></p>	<ul style="list-style-type: none"> Attach project area map showing location and PIN number of the parcel on which the project is located. Visit http://www.ustaxdata.com/nc/durham/durhamtaxsearch.cfm to determine PIN
BUSINESS REQUIREMENTS	ATTACHMENTS
<p>Business entity that owns the building at time of application and directly creates capital investment improvements on an existing building having vacant spaces for the purpose of improving and/or upgrading the interior and exterior, to make the first floor more rentable or "retail/restaurant-ready."</p> <ul style="list-style-type: none"> Eligible improvements include but are not limited to window replacement, installation of walls, painting, installation of support mechanisms, installation of sound systems, HVAC, electrical systems, plumbing, stairs, demolition, flooring, grease traps and sprinkler systems. 	<ul style="list-style-type: none"> Attach source(s) of financing beyond potential public funds, to include documented letters of financial commitment from investors or banks. Attach Development plan for applicant including sources and uses document, balance sheet and operating budget. See Appendix A on page 7 for greater explanation about financial information to include. Attach current Durham Business Privilege License. License is not required at the time of application, but will be required if awarded funding. Attach a statement of support by the Partners Against Crime (PAC) community organization in the area saying that your project is of the type desired by the neighborhood (Optional). Statement is not required at the time of application, but will be required if awarded



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<p>The project must be private, non-residential within the following parameters:</p> <ul style="list-style-type: none"> • If the project is within the Community Development Area outside the Downtown Development Tier, the minimum total project capital investment must be at least \$187,500 • If the project is within the Downtown Development Tier, the minimum total project capital investment must be at least \$225,000 • If the project is within a Targeted Portion of the Urban Growth Area, the minimum total project capital investment must be at least \$300,000 <p>The Building Improvement Grant maximum award will be \$75,000.00.</p> <p>Note: Only funds spent on work performed after City approval of the grant are eligible to be reimbursed. Funds will be disbursed by cost reimbursement upon completion of project and submission of appropriate documentation proving compliance with relevant compliance guidelines.</p>	<p>funding.</p> <p>To contact your local PAC visit http://www.durhampolice.com/pac/</p>
<p>PROGRAM ELIGIBILITY</p> <p>The eligibility for public incentive payment and the amount of payment would be based upon the likelihood of success of the project and the need for public funds; as determined by a competitive scoring process based upon submitted proposals.</p>	<p>ATTACHMENTS</p> <ul style="list-style-type: none"> • Attach quote from contractor or architect for total cost of project with design drawings
<p>TIMELINES/DISBURSEMENT OF FUNDS</p>	
<p>Projects would need to start within 9 months of City approval and be completed no later than 12 months after City approval.</p>	
<p>FUNDING GUIDELINES</p> <ul style="list-style-type: none"> • OEWD will review select evaluation criteria including viability of project and need for public funds. Funding requests of \$50,000 or greater will be subject to City Council approval. All efforts will be made to evaluate and determine funding requests less than \$50,000 within 45 days of the submission deadline. 	

SECTION 2

The following sections of the application are to be completed by the **APPLICANT**.
 Complete within the form, as the space will expand as more information is added.

APPLICANT INFORMATION

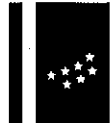
Applicant Name	TND Capital Management, LLC	Street Address	410 West Geer St.
		Mailing address	410 West Geer St.
Name of Business that Owns Property	TND Capital Management, LLC	City /State/Zip	Durham, NC 27701
Contact Person	Robert L. Chapman		
Title	Managing Member	Phone Ext	919-680-2000
Email Address	bob.chapman@tndpartners.com	Company website	http://www.tndpartners.com/
Fax	919-680-2029	Alt Phone	919-308-6821
# of years in business	12		
Tax Status of Business (check all that apply)	<input type="checkbox"/> Sole Proprietorship <input checked="" type="checkbox"/> Corporation (LLC) <input type="checkbox"/> Partnership	Legal Status of Business:	<input checked="" type="checkbox"/> For Profit <input type="checkbox"/> Not-for-profit (Designation) <input type="checkbox"/> Other _____
How long has the applicant owned the property?	Since July 29, 2010. Approx. 3 months.	Is the property currently vacant?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Level of experience applicant or development partner has developing comparable projects successfully	Projects initiated by Bob Chapman (managing director of TND Capital Management, LLC) are fully approved for more than two million sq. ft. of mixed-use commercial and retail development and for 16,000 residential units. To date, 677,000 sq. ft. of new construction has been built and 49,000 sq. ft. renovated, at a total cost of \$59.3 million. Durham projects include Trinity Heights; the Trotter Building; the Duke School for Children (Hull Ave. campus); and Central Park School for Children. His other constructed projects include Winmore in Chapel Hill; The Village at Hendrix in Conway, Arkansas; and Southlake-Cagan's Crossing near Orlando. Bob has served on many non-profit boards including the following development and preservation-related organizations: North Carolina Smart Growth Alliance (founding board chair); the National Town Builders Association (founding board chair); Preservation Durham; and Durham Central Park. He is a charter member of the Congress for the New Urbanism. He is a founding advisory board member for the program in Real Estate Development and Urbanism at the University of Miami and a member of the city advisory board of Mechanics and Farmers Bank, Durham.		
Has a tenant or lease agreement been secured by the building owner?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		



See revised budget
submission

SECTION 3			
FINANCIAL NEED			
Provide the total project capital investment (must be private, non-residential capital investment of at least \$187,500)	<p>\$520,600 total project capital investment. \$280,600 Acquisition, Remediation, and Stabilization Phase, all private \$240,000 for Business Improvement/Occupancy Phase (phase supported by public funds) \$150,000 private funds Business Improvement/Occupancy Phase</p>		
Amount of public funds requested	\$75,000 (Occupancy Phase only)	Amount financed by applicant	\$150,000 (Occupancy Phase only)
Statement explaining need for public funds	<p>This project will cost more to construct than market rent will support. Based on market rent and current capitalization rates, the building will be worth approximately \$281,600 after it is completely restored and occupied. Total building acquisition, remediation, stabilization, and restoration will cost \$520,600, leaving a \$239,000 gap. \$75,000 in public Business Improvement Grant funding is sought to fill part of this gap. Public funds will be used to complete delivery of the building in first-class ready to open condition to the tenant, Magnetic Wheels Enterprises, Inc., owned by restaurateur Andrew Magowan. Andy founded and recently sold another successful Foster Street establishment, the Piedmont. Although 624 Foster St., formerly Fletcher's Gulf, is a beloved Durham icon, few thought that it could be saved. When purchased it had no wiring, no plumbing, no heat, no insulation, no ceilings, no operable windows or doors, no restrooms, a failed roof, and it required expensive environmental remediation. The project would not be economically feasible without public support because market rate rents would not justify an investment at this level.</p>		
Provide a financial analysis that supports the viability of the project, including details explaining how the project will be funded completely (i.e. bank loan, private equity, city incentive, etc.)	<p>The project will be funded by a combination of private money from TND Capital Management and by funds for renovation received by TND Capital from the Tenant, Magnetic Wheels Enterprises, Inc., and hopefully public money in the form of this grant as well as the Merchandise Based Incentive Grant from the City of Durham. No bank debt is required.</p>		

SECTION 4			
OVERVIEW OF PROJECT			
Physical address of proposed project	624 Foster Street	Parcel PIN # of proposed project. Visit http://www.ustaxdata.com/nc/durham/durhamtaxsearch.cfm to determine PIN	0822-20-90-2251
Is the property located on a public transportation route? To view routes, visit	<input checked="" type="checkbox"/> Yes (1 block from stop) <input type="checkbox"/> No	Is the property designated as historic property or within a historic district?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No



http://data.durhamnc.gov and select Schedules & Maps on the menu		Visit The Durham City-County Planning Department to determine http://www.durhamnc.gov/departments/planning/pdf/hist_resources_map.pdf	
Do you have a statement of support for the project from the local Partners Against Crime (PAC) Committee? To contact your local PAC visit http://www.durhampolice.com/pac/	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> Not yet		
Estimated start date and completion date if grant is awarded	Start Date: 11-10-2010		Completion Date: 4-15-2010

SECTION 5 (Limit response to 500 words)

PROJECT DETAILS

1. Provide a brief description of the project, intended use of the development, square footage	The building will be renovated into a restaurant with a large outdoor seating area. The interior is approximately 1,500 square feet and will house a kitchen, a bar area and seating for about 35 people. The exterior seating area will seat approximately 50 people in long communal style tables. The food will be simple, affordable and homemade, with an emphasis on classic American cooking.
2. Is proposed project consistent with relevant design plans approved by City Council? If so please explain. Plans are Updated Downtown Durham Master Plan (Dec. 11, 2007), City Center Retail Strategy, RKG Neighborhood Assessment and Plan. To review plans visit http://www.ci.durham.nc.us/departments/eed/publications.cfm	The project is totally consistent with the Downtown Master plan. It sits at a gateway area to downtown, as indicated on page 40 of the plan. It seeks to "activate a street level storefront...into a ...restaurant." (p. 36.) It is fully consonant with Goal 10 of the Updated Development Focus Areas of the plan (p. 56): "The development of these properties offers the opportunity for the DAP and Durham Central Park area to become a regional destination for businesses, residents and visitors much like the American Tobacco District." And being near great entertainment venues like Motorco and Manbites Dog theater helps give the district a "cohesive character" as a dining, arts and entertainment district. (p. 43)
3. Describe sustainable measures which will be utilized in considering the environment during construction/deconstruction	<p>The restaurant plans to use reused/recycled materials during its construction, such as its original doors. Our work will follow best green building practices, based on sustainability guidelines provided by the SouthFace Institute and the American Green Building Council:</p> <p>1. Air sealing measures:</p> <ul style="list-style-type: none"> • certify maximum 0.35 air changes/hour • airtight IC recessed lights or no recessed lights in insulated ceilings • ceiling drywall sealed to top plate • chases sealed and insulated



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- drywall sealed to bottom plate of exterior walls
- 2. Insulation:
 - flat ceilings (R38)
 - roof insulation (R40)
- 3. Windows: passive solar design:
 - east facing glazing less than 3% of floor area
 - inert gas-filled double glazed units (e.g. argon gas filled)
 - low emissivity glazing
 - no south facing glazing
- 3. Heating and cooling equipment:
 - cooling equipment has non-CFC refrigerant
 - cooling equipment sized within 6000 btu/h of ASHRAE (all units)
 - heating equipment output sized within 25,000 btu/h of ASHRAE (all units)
 - SEER 16 cooling equipment (75% total capacity)
 - sensible heat fraction less than or equal to 0.7 (all air conditioners)
 - zone control - one system services multiple zones
- 4. Ductwork / air handler:
 - air handler located within conditioned space (all units)
 - airflow for each duct run measured and balanced
 - duct design complies with ASHRAE
 - ducts located within conditioned space (min 90%)
 - interior doors with 1 inch clearance to finish floor
 - transfer grilles
- 5. Lighting:
 - Energy efficient lighting and automatic outdoor lighting controls (e.g. motion sensor)
 - high efficiency exterior lighting
 - indoor fluorescent fixtures
 - recessed light fixtures are compact fluorescents or LEDs\
 - full cut-off low-glare outdoor lighting meeting IDSA recommendations.
- 5. Durability:
 - back-primed siding and trim
 - insulated glazing (min. 10-year warranty)
- 6. Waste management practices and recycling of construction waste:
 - donation of excess materials or re-use
 - central cut area
 - posted job site waste management plan - recycle 75% of 3 materials: required, cardboard; required, metal; required, wood; drywall (recycle or grind and spread on site); plastics
- 7. Moisture control and ventilation
 - capillary break between foundation and framing
 - all exhaust fans vented to exterior
 - ceiling fans (minimum of 3 fans)
 - outside air intake with damper



	<p>8. Materials</p> <ul style="list-style-type: none"> • all surfaces of particle board sealed with water-based sealant • ducts protected until construction is completed • filter / air cleaner with minimum 30% dust spot efficiency (e.g. pleated filter) • low VOC paints (less than 250 g/L) • low VOC sealants and adhesives (less than 250 g/L) • low VOC stains and finishes on wood floors • no urea formaldehyde materials inside conditioned space <p>9. Water:</p> <ul style="list-style-type: none"> • On demand tankless water heaters for bathrooms • high efficiency toilets (max 1.45 gal/min) • high efficiency water heater (min Energy Factor: gas 0.62 electric 0.92) • water filter (NSF certified) • water heater pipe insulation on first two feet of pipe
<p>4. Describe any of the following items that may be provided (in kind only): Enhancement to parks, plazas, greenways, parking, street activity or accommodations for pedestrian amenities such as bike racks, transit shelters, etc.</p>	<p>The restaurant, when completed will feature large areas of garden plants, including an edible herb garden. It will be equipped with two large bike racks. It will provide striped parking for at least thirteen cars. And it will be well-lit and safe area at night in a neighborhood that is relatively empty now.</p>



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I certify to the City of Durham that ALL of the information contained in this application is true and correct to the best of my knowledge. I agree to supplement this application with such additional information as may be requested in order to provide the most accurate and complete picture of my company and the timing of the project for which I am seeking incentive funding. I acknowledge the requested incentives constitute a bonafide inducement for my company to undertake this project, without which inducements my company would be less likely to pursue this project.

Robert L. Chapman

Manager

Print Name

Title

Robert L Chapman

November 12, 2010

Signature

Date

FOR INTERNAL USE ONLY			
Project Location	<input checked="" type="checkbox"/> Downtown and/or Parrish Street Project Area	OR	<input type="checkbox"/> In Targeted Section of Urban Growth Area <input type="checkbox"/> In Targeted CDA Corridor
Date Application Received:	11/12/2010	Date Application Complete:	
Reviewed By:		Date:	
Approved By:		Date:	

Appendix A

The Building Improvement Grant Business Plan should be at least three pages describing points 1 thru 6 below:

- 1. Outline company goals and the company's purpose, define its mission and explain what it intended use for the building.**
- 2. Provide information regarding the company's proposed structure as well as the qualifications and backgrounds of its key people.**
3. Provide a comprehensive narrative statement that sets out the management plan they intend to follow and illustrates how their plan will serve to accomplish the work. Strongest consideration will be given to those proposals that can demonstrate how the intended project will remove blight, rehabilitate vacant and/or boarded buildings and stimulate the creation of new retail business development and job creation.
4. Elaborate on your project's financial position including detail on total expenses and revenues. Include annual rents, vacancy rates, and net cash flow for at least 1 year or longer if available.
- 5. Briefly discuss obstacles and risks to the business plainly in this section, and add potential strategies on how to overcome them.**
- 6. Narrative description of the proposed development, including potential tenants/users, type of development, square footage of development, and target markets to be approached**

A Finance Plan lists the estimated cost of the actual startup and how those costs are going to be met. Your finance plan should also provide an estimation of the income and cash flow for the company for at least one year preferably three years. See explanation of components of a finance plan described below in greater detail.

The Balance Sheet

The balance sheet is generated solely on an annual basis for the business and is, more or less, a summary of all the preceding financial information broken down into three areas, Assets Liabilities and Equity.

Cash Flow/ Operating Statement

It shows a schedule of the money coming into the business and expenses that need to be paid. The result is the profit or loss at the end of the month or year. It is a strong indicator to indicate if you will need additional cash in order to meet expenses. Provide detailed yearly cash flow projections for at least 1 year, 3 years are preferable.

Development/Capital Budget

Development/Capital budget needs to take into account all the expenses required to renovate the building. Clearly state the capital needed to start the business or to expand. It should detail how the capital will be used, and the equity, if any, that will be provided for funding. If a bank loan is required please submit a firm conditional commitment outlining the terms and conditions, signed by the bank and you, as well as an estimated detailed development project schedule with a project timeline.